

**Illinois Department of Revenue
Regulations**

Title 86 Part 100 Section 100 Table B Example of Unitary Business Apportionment for Groups Which Include Members Using Three-Factor and Single-Factor Formulas

TITLE 86: REVENUE

**PART 100
INCOME TAX**

SUBPART A: TAX IMPOSED

Section 100.TABLE B Example of Unitary Business Apportionment for Groups Which Include Members Using Three-Factor and Single-Factor Formulas

Example: Corporation A is engaged in the manufacture and sale of tangible personal property. Corporation B, a wholly-owned subsidiary of A, is a financial organization. The operations of A and B are unitary and both corporations operate both within and without Illinois. For purposes of simplicity, assume that there are no intercompany transactions. Consistent with the provisions of the Illinois Income Tax Act, and the combined method of apportionment utilized in Illinois, A determines that its net unitary business income is \$45,000. B, likewise, determines that its net unitary business income is \$15,000. The reflection of the factors discussed above would result in the following combined apportionment schedule entries, assuming accurate disclosure of information contained thereon:

	Corporation A		Corporation B	Combined (9)
Business income	\$45,000	\$15,000		\$ 60,000
Illinois property	1,000			
Total property	10,000	10,000		20,000
Property factor	.05 (1)			
Illinois payroll	1,000			
Total payroll	10,000	90,000		100,000
Payroll factor	.01 (2)			
Illinois sales	1,000	2,000 (3)		
Total sales	80,000	20,000 (4)		100,000 (5)
Sales factor (6)	.01	.02		
Average	.23333	.02 (7)		
Business income apportioned to Illinois			1,400	1,200 (8)

Note (1) This property factor for A is A's Illinois property divided by property everywhere for both A and B as determined under the provisions of IITA Section 304(a). Note that B's "Illinois property" is not shown; B will use the single factor determined under IITA Section 304(c). B's "property everywhere" is shown only to arrive at the combined denominator used in the computation of A's property factor.

Note (2) This payroll factor for A is A's Illinois payroll divided by payroll everywhere for both A and B as determined under the provisions of IITA Section 304(a). Note that B's "Illinois payroll" is not shown; B will use the single factor determined under IITA Section 304(c). B's "payroll everywhere" is shown only to arrive at the combined denominator used in the computation of A's payroll factor.

Note (3) This "Illinois sales" numerator for B is the numerator prescribed by IITA Section 304(c).

Note (4) This "total sales" denominator for B is the denominator prescribed by IITA Section 304(c).

Note (5) The combined "total sales" is the sum of the sales factor denominator prescribed by IITA Section 304(a) for A and the denominator prescribed by IITA Section 304(c) for B.

Note (6) This decimal is derived by dividing each member's Illinois sales by the combined total sales, or in the case of B, the numerator described by IITA Section 304(c) by the combined total sales. In the example, the combined total sales is the sum of the denominator determined for A in accordance with IITA Section 304(a) and the denominator determined for B in accordance with IITA Section 304(c).

Note (7) Since B is using a single-factor formula, the average (.02 divided by 1) is .02.

Note (8) This amount is determined by multiplying the combined business income (\$60,000) by the average of the factors for each member. The same approach is to be followed where the unitary group includes an insurance company or a transportation company. In the case of an insurance company, the apportionment factor to be utilized is that prescribed in IITA Section 304(b). In the case of a transportation company, it will be necessary to convert the "revenue miles" apportionment factor of IITA Section 304(d) to dollar amounts. This is to be accomplished by dividing total gross receipts from transportation services by total revenue miles in order to arrive at a dollar amount for each "revenue mile". Thereafter, "Illinois revenue miles" (the numerator prescribed by IITA Section 304(d)), and "everywhere revenue miles" (the denominator prescribed by IITA Section 304(d)), will be multiplied by the dollar amount determined in accordance with the preceding sentence. The resulting fraction will then be utilized as described in the example shown above. It may be that this method of accounting for insurance companies, financial organizations and transportation

companies within the context of combined apportionment may produce unreasonable results in particular cases. Where this occurs, the Director may require, or the taxpayer may petition for, an alternative method. See IITA Section 304(c) and 86 III. Adm. Code 100.3700(a).